

## **DECISION MEMORANDUM**

**TO: COMMISSIONER KJELLANDER  
COMMISSIONER REDFORD  
COMMISSIONER RAPER  
COMMISSION SECRETARY  
COMMISSION STAFF  
LEGAL**

**FROM: DAPHNE HUANG  
DEPUTY ATTORNEY GENERAL**

**DATE: JUNE 19, 2015**

**SUBJECT: CASE NO. GNR-E-15-01 (Idaho Power, Avista, PacifiCorp)  
ADJUSTABLE PORTION OF AVOIDED COST RATE  
REVISED/UPDATED CALCULATION FOR EXISTING CONTRACTS.**

**CASE NO. PAC-E-15-08 (PacifiCorp)  
ANNUAL VARIABLE ENERGY RATE ADJUSTMENT –  
1992 AMENDMENT QF CONTRACTS.**

The Idaho Public Utilities Commission in Order No. 28708, Case No. GNR-E-99-1, established a methodology for the annual adjustable rate portion of avoided costs for those QF contracts using variable costs associated with Colstrip, a coal-fired generating facility in southeast Montana. For those QF contracts with Colstrip-related fuel costs and variable O&M, future Colstrip variable cost adjustments are to be calculated by using FERC Form 1 Colstrip Unit Coal Costs per megawatt hour (MWh) and adding \$2.00/MWh (the average variable O&M cost of Colstrip plus 20¢/MWh for generation taxes plus a five percent (5%) adjustment for line loss). As computed by Commission Staff, the Colstrip related adjustable rate for the 2015-2016 year should change from 16.08 mill/kWh to 16.68 mill/kWh. The same calculated rate revision under the avoided cost methodology is used by Avista, PacifiCorp dba Rocky Mountain Power, and Idaho Power Company. This change in the variable rate affects existing contracts under the previous SAR methodology.

The adjustable portion of the avoided cost rates under Sumas-based methodology is based on annual average gas prices indexed at Sumas, Washington. As reported by Avista, the indexed gas prices have increased by \$0.75/MMBtu. The approved gas price of \$4.35/MMBtu

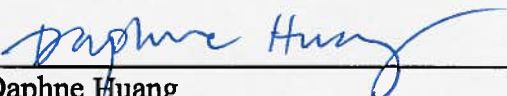
plus the \$0.75/MMBtu increase results in a gas price of \$5.10/MMBtu for the 2015-2016 year. This equates to a SAR fuel cost of 36.21 mill/kWh, using a heat rate of 7,100 Btu/kWh as used in the model for potential future contracts in accordance with Order No. 29124.

The Commission Staff calculated changes to the annual adjustable rate portion of avoided costs for those QF contracts, using variable costs associated with Colstrip and Sumas, and provided the respective utilities with the updates for review by letter dated May 29, 2015. Avista, Idaho Power, and PacifiCorp responded by letter that Staff's calculations are correct.

In accordance with Order No. 29316, the adjustable portion of the avoided cost rate for existing PacifiCorp contracts with year 1992 amendments has also been recomputed: Beginning on July 1, 2003, the adjustable portion for these contracts was ordered to be equal to the average cost of fuel for the Carbon, Hale, Naughton, Huntington, and Hunter generating plants, including a variable O&M component of \$1.51 but exclusive of generation taxes and a line loss adjustment. The variable energy rate applicable to deliveries commencing July 1, 2015 extending through June 30, 2016 has been computed by PacifiCorp to be \$21.75/MWh, an increase from \$20.47 last year.

#### **COMMISSION DECISION**

Under avoided cost methodology the adjustable portion of avoided cost rates for existing contracts is calculated annually for an effective date of July 1. Avista, Idaho Power, and PacifiCorp agree with Staff's proposed calculations. Also adjusted annually is the adjustable portion of avoided cost rates for existing PacifiCorp contracts with year 1992 amendments. PacifiCorp for those contracts has computed the new variable energy rate. Does the Commission agree with the proposed changes in the variable rates?

  
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Daphne Huang  
Deputy Attorney General

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**COLSTRIP ADJUSTABLE RATE CALCULATION** Updated

For Period 7/1/15-6/30/16

Colstrip Fuel Cost from Avista FERC Form 1 for CY 2014

line 12	Net Generation (kwh)	1,464,025,000
line 20	Fuel	<u>\$21,495,676</u>
	Fuel cost per kwh	\$0.014683

Fuel Cost per MWh	\$14.6826
Variable O&M, Gen. Tax, 5% line loss per MWh	<u>\$2.0000</u>
Total Colstrip Adjustable Rate	\$16.6826

Reference GNR-E-99-1 O.N. 28708 4/17/2001

**Average Gas Prices at Sumas, Washington from Inside FERC publication  
(\$/MMBtu)**

**Calculating the 2015-2016 Avoided Cost Adjustable Rate**

	<u><b>2013</b></u>	<u><b>2014</b></u>
Jan	\$3.58	\$4.89
Feb	\$3.58	\$5.12
Mar	\$3.46	\$5.78
Apr	\$3.93	\$4.37
May	\$3.91	\$4.53
Jun	\$3.94	\$4.28
July	\$3.46	\$4.37
Aug	\$3.27	\$3.69
Sep	\$3.19	\$3.85
Oct	\$3.24	\$3.91
Nov	\$4.27	\$3.62
Dec	\$4.31	\$4.68
Average	\$3.68	\$4.42

**Actual Annual Adjustment:**

$$\$4.35 - (\$3.68 - \$4.42) = \underline{\underline{\$5.10}}$$

**Note:**

**\$6.94/MMBtu = 2007-08 Approved Rate**

**\$7.18/MMBtu = 2008-09 Approved Rate**

**\$9.00/MMBtu = 2009-10 Approved Rate**

**\$4.62/MMBtu = 2010-11 Approved Rate**

**\$4.99/MMBtu = 2011-12 Approved Rate**

**\$4.60/MMBtu = 2012-13 Approved Rate**

**\$3.45/MMBtu = 2013-14 Approved Rate**

**\$4.35/MMBtu = 2014-15 Approved Rate**

**PacifiCorp**  
**Total Variable Energy Rate**  
**for 2015 / 2016**

	Carbon	Naughton	Huntington	Hunter	Totals
Fuel Cost (\$)	\$ 29,430,862	\$ 105,258,424	\$ 117,536,334	\$ 155,921,802	\$ 408,148,222

2014 FERC FORM 1 - Page 402 Line 20

Generation (MWH)	1,283,645	4,958,589	6,300,558	7,624,885	20,167,677
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2014 FERC FORM 1 - Page 402 Line 12

Average Fuel Cost (\$/MWH)

Variable O&M

	\$	20.24	/MWH
	\$	1.51	/MWH
	\$	21.75	/MWH

Total Variable Energy Rate for 2015 / 2016

For deliveries commencing July 1, 2015 extending through June 30, 2016  
 12 PacifiCorp/QFs contracts with approved 1992 amendment language